GOVERNMENT RESOLUTION.

III.—INCREASE IN THE MAXIMUM AMOUNT OF THE GUARANTEE GIVEN BY GOVERNMENT IN RESPECT OF DEBENTURES ISSUED BY THE MADRAS CO-OPERATIVE CENTRAL LAND MORTGAGE BANK, LIMITED.

THE HON. SRI K. CHANDRAMOULI :—" Mr. President, Sir, I beg to move—

'*That this Council recommends to the Provincial Government that they may under sub-section* (2) *of section* 6 *of the Madras Co-operative Land Mortgage Banks Act,* 1934, *increase the maximum amount of the guarantee given by them in respect of the debentures issued by the Madras Co-operative Central Land Mortgage Bank, Limited, up to a total face value of Rs.* 450 *lakhs, exclusive of such debentures as the Bank may from time to time redeem such debentures being issued for periods not exceeding in any case* 25 *years from the date of issue and bearing interest at a rate not exceeding* 5 *per cent per annum.*'

" Sir, I need not go into all the details about the origin and history of the Madras Central Land Mortgage Bank at present, but shall only state that after trying various experiments and other things, and finding that there was not enough support from the public to take up its debentures, the Government in the end decided to guarantee the interest and principal on the debentures of the Central Land Mortgage Bank. Even with that, the public response was not very encouraging and the Central Land Mortgage Bank was not able to attract the public to subscribe to its debentures and compete with other institutions. In the end the Bank wanted that its debentures should be declared as trustee securities. For that purpose, the Government of India was addressed and they authorized the Provincial Government to bring forward a legislation declaring these debentures as trustee securities and also guarantee both the principal and interest and accordingly in 1934 the Land Mortgage Bank Act was brought in and passed by the Legislature. Ever since, the Central Land Mortgage Bank was able to work better and its debentures were able to attract public support in a very large measure. The maximum amount of guarantee which was fixed at Rs. 50 lakhs in 1934 rose to Rs. 446 lakhs in 1946. With its increased activities, the Central Land Mortgage Bank wanted to increase our guarantee to the maximum of Rs. 5 crores, but the Government felt that it was sufficient if we guarantee the principal and interest to the maximum of Rs. 450 lakhs and it is for that purpose that we have brought in this Resolution before the Legislature, because this cannot be done without the approval of both the Houses of the Legislature. After all, the Government are not giving any money in cash or as loan, but only giving a legal and technical sanction in the form of a guarantee. These debentures are very popular

and most of them are taken up by co-operative institutions and by local bodies and these institutions cannot purchase them unless such guarantee is given by the Government. Otherwise there will be no market for these debentures.

" Moreover in all the other countries in the world, the ryot is helped by the Government in various ways. After all what is required is only a guarantee and if we cannot give this much of guarantee, the rate of interest on these debentures will have to be increased and hence the ryots will be put to serious difficulties. That is why this Resolution has been brought in and I hope the House will realize its importance and accept it."

MR. PRESIDENT :—" The question is—

' *This Council recommends to the Provincial Government that they may under sub-section* (2) *of section* 6 *of the Madras Co-operative Land Mortgage Banks Act,* 1934 *increase the maximum amount of the guarantee given by them in respect of the debentures issued by the Madras Co-operative Central Land Mortgage Bank, Limited, up to a total face value of Rs.* 450 *lakhs, exclusive of such debentures as the Bank may from time to time redeem, such debentures being issued for periods not exceeding in any case* 25 *years from the date of issue and bearing interest at a rate not exceeding* 5 *per cent per annum.*' "

DR. V. K. JOHN :—" Mr. President, Sir, according to my information, the Madras Co-operative Central Land Mortgage Bank is doing very good work and renders great service to the agriculturists and satisfies their necessity, which without this Bank, they would not be able to meet and wipe off their old debts. The Government are now giving a guarantee to the tune of Rs. 450 lakhs worth of debentures issued by the Bank and I have no doubt that we can have an assurance from the Hon. Minister that the Government will keep a close watch over the activities of the Bank."

THE HON. SRI K. CHANDRAMOULI :—" Sir, from the previous history of this Bank, I can assure Dr. John that it has done immensely good work and it has never been a liability to us. Most of the loans given by the Bank to the ryots have been returned and there has been absolutely no difficulty in the matter of collecting their dues because loans are given on the mortgage of landed properties which, in these days, have appreciated very much. So we can trust the Central Land Mortgage Bank to function successfully and we can unhesitatingly give our approval to this guarantee which is asked for."

The resolution was put and carried.